

The President is simply proposing that we arbitrarily issue a second round of credit, not justified or contingent upon anything happening in public debt reduction, and increase the income tax obligations to the program. Remember, again, all the taxes the President is talking about pouring into this program as a result of this accounting process gimmickry are income taxes; they are not payroll taxes.

So we are shifting the burden, under the President's proposal, of the Social Security system from being a payroll tax system to being an income tax system, from going to a system where the people who receive the benefit under the retirement process and pay for it during their working lives are now receiving a benefit from the general revenue fund and the income tax fund versus the payroll tax fund. That is a huge change in the basic philosophy of the way we have supported the Social Security system. The President does this with his proposal, which is to create a new accounting mechanism.

So the practical effect of the President's proposal is to do absolutely nothing in the way of resolving the fundamental problems that confront Social Security. The practical effect of the President's proposal is to create an accounting gimmick that makes you feel as if you have done something. The practical effect of the President's proposal is to undermine the momentum for fundamental, fair, effective Social Security reform in exchange for a political statement that may get you through the next election but which is going to create major crises for the system in the outyears.

The President's proposal fails any form of accounting test. The President's proposal fails any form of a reasonable review. The President's proposal, most importantly, fails the next generation and the generation behind it because what it does is transfer onto their backs, for the sake of a political statement today, a tax burden that will amount to trillions of dollars. It is an action that is absolutely inappropriate and which I hope this Congress and the American people will reject.

I yield the floor.

#### PRIVILEGE OF THE FLOOR

Mr. BAUCUS. Mr. President, I ask unanimous consent that Peter Washburn, a fellow with the Environment and Public Works Committee, be allowed floor privileges during the introduction of the Good Samaritan legislation.

The PRESIDING OFFICER. Without objection it is so ordered.

The PRESIDING OFFICER. Under the previous order, the Senator from Montana is recognized.

(The remarks of Mr. BAUCUS pertaining to the introduction of S. 1787 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I ask unanimous consent to be recognized to speak for up to 15 minutes as if in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### SOCIAL SECURITY

Mr. THOMPSON. Mr. President, I want to address the subject of Social Security, as my colleague from New Hampshire has so eloquently addressed a few minutes ago. It is a matter about which we are all concerned. We all agree that something is going to have to be done about it because the numbers simply don't work. We all know that the money needed to pay to more and more retirees is not going to be sufficient because we are not going to have a sufficient number of people paying into the trust fund. We are going to have more and more retirees and fewer and fewer workers in the future. The numbers simply are not going to add up.

We all recognize that a day of reckoning is coming, and many of us have been struggling to try to decide what to do about it. It seems as if there are really only three choices.

One is to raise taxes. We pay for Social Security with Social Security taxes, FICA taxes. We could raise them astronomically on future workers.

The second is to cut benefits, which, of course, nobody wants to do.

The third choice is to have some kind of fundamental restructuring and reform. I think more and more people have concluded that is what has to happen.

A lot of people, including myself, think we have to have some system whereby the worker can invest some of that money in those FICA taxes for something that will have a much greater return than they are getting today.

We were hoping that before the President left office, there would be some leadership from the President in making some of the hard choices we all know are going to have to be made. Any one of those choices I have just described is not an easy political choice to make. It will never be made unless we get some leadership from the President, at which point I think a lot of people will fall in line.

We have, on a bipartisan basis in the Senate, already been trying to work toward that end. Frankly, I don't think the political risks are as great as a lot of people think. I think we should tell the people the truth and do something, go ahead and do it. There is not a lot of risk to that. Most people believe otherwise. But we will have to have Presidential leadership under any circumstances.

The President has come forth with a plan which does not really do those three things I mentioned before in terms of the alternatives, but he seeks to basically put the problem off to another day. It is a good strategy in a year before an election because it

avoids the problem while pretending to solve it. But it certainly doesn't do anything to solve it.

I think we can reach agreement on that with a pretty wide consensus on a bipartisan basis in this body because too many Democrats and Republicans have been working together and concluding that the approach that has recently been suggested by the President is something that just won't work.

Here is the basic situation. Right now, mandatory spending programs such as Social Security and Medicare consume two-thirds of our Federal budget. In 1980, it was 53 percent; 1990, 63 percent; today, 66.5 percent. By 2030, if no changes are made, mandatory spending, including Social Security and Medicare, will eat up 100 percent of Federal revenue.

We know we cannot go down that route forever. At the same time, we are facing a demographic time bomb that will place unprecedented new burdens on the Federal budget. The number of Americans over the age of 65 will more than double between now and 2030. Also, during the same period, the working age of Americans will only increase by 25 percent. This means there will be fewer people paying into the system to support many more beneficiaries. Most everyone, myself included, argues that more people living longer is not a bad problem to have. But it will place tremendous strain on the Social Security Program and on our Federal budget, neither of which is particularly well equipped to deal with it.

I cannot agree with the President when he said in his radio address that his proposal to transfer general revenue credits—getting away from the FICA self-financing system that we have now, but dipping into general revenue credits, coming in from income taxes because we have a surplus now, that to transfer these credits into the Social Security trust fund is "the first big step toward truly saving Social Security."

Let me first point out the general revenues the President wants to transfer to Social Security come from the very same projected budget surplus he said we could not count on for tax cuts. Now he is using those same uncertain surpluses to so-called save Social Security. The President cannot have it both ways.

I will quote from testimony of David Walker, Comptroller General, testifying before the Finance Committee in February. The Senator from New Hampshire quoted Mr. Walker saying "this does not represent a Social Security reform plan." I will not quote all of his statement at this point, but an additional statement he made was that "the changes to the Social Security Program will thus be more perceived than real," talking essentially the same as the President's plan. Although the trust funds will appear to have more resources as a result of the proposal, in reality nothing about this program is changed. He concluded that